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Linda McCulloch
Superintendent

**Joint Appropriations Subcommittee on Education
Office of Public Instruction – Local Level Program 09
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Superintendent Linda McCulloch's Remarks**

Good Morning. For the record, I am Linda McCulloch, State Superintendent of Public Instruction for K-12 education.

I am pleased to be here today to tell you about the Office of Public Instruction's responsibility to Local Education Activities, Program 09 which are the state and federal funds we distribute to 436 public school districts and 21 special education cooperatives.

The challenge before this session to define a quality K-12 education and how to fund the education system will affect 146,519 students in our public K-12 education system. It will define the 21st century learning opportunities for our kids and prepare them for the global world in which we live.

Please take a moment to think back to when we were in school and recall what the world of work looked like. In 1950 the demand for unskilled labor was 60%, skilled labor was 20% and professional jobs was about 20%. Flash-forward – demands for professionals has virtually remained unchanged, unskilled labor is 15%, and skilled labor has risen from 20% to 65%. Today's jobs are now expecting the available workforce to have a set of skills that were unimaginable 50 years ago. Think about it, an elementary school teacher will teach a 6-year-old child and prepare her or him for what they will encounter in education and work 50 or 60 years from today. Teachers are preparing students for jobs that don't even exist today.

Our students and schools are not immune from this changing world around them. Gone are the days of 5-cent pencils as the sole writing instruments. Students are now learning keyboarding in elementary grades. Thus, schools are expected to stay technologically current and absorb new expenses for technology, essential to preparing our students for higher education and careers, yet that technology will be outdated in a few years. Teachers are also expected to stay up-to-date with their evolving academic field and teach increasingly more complicated skills to make sure that our Montana students are prepared to go to college, technical school or go right into a job.

My focus this morning is simple. My basic goal for OPI is to get resources to Montana classrooms. Our kids succeed in this rapidly changing environment when they have the resources they need to be successful. Schools are at a crisis point in trying to provide an educational system that the public wants and expects of our schools.

"It is the mission of the Office of Public Instruction to improve teaching and learning through communication, collaboration, advocacy, and accountability to those we serve."

Distribution of School Funds

Let me explain the OPI distribution of state funds for schools and local education activities. I would like you to please refer to a **chart** that is in your green packet from yesterday. Please refer to the pie graph on the left. I want to focus your attention on the BIG blue slice of the pie. Just a reminder -- the K- 12 pass through funds are not available for the Office of Public Instruction operations. The OPI is responsible for distributing \$557 million – 40% of the Montana State Budget -- of monthly state aid payments to Montana's 436 school districts under eight separate entitlement programs.

As mentioned in our state level 06 presentations yesterday, the OPI is extremely efficient at collecting and compiling school district budgets, financial, enrollment and payment information. I am also proud of the way we assist schools with their financial reporting functions. It is important to me that the information schools are required to report result in meaningful tools that schools and local decision makers can use to improve classroom learning. I view it as an essential resource we can provide over-burdened schools, as well as account for state and federal tax dollars.

Enrollment

Please refer to the **Facts in Montana Brochure**, inside bottom left fold. As you know, Montana's school funding formula is based on enrollment and Montana is still experiencing declining school enrollment. These two basic factors are creating a challenge for our schools. Schools are affected by Montana's shifting demographics driven by a combination of lower birth rates and the departure from the state and lack of in-migration of families with school-age children. In 2002, Montana had one of the lowest birth rates in the country. The number of live births started to increase in 2000 and projections have the number rising in the next ten years.

Montana enrollment peaked in the 1995-1996 school year. Since then, enrollment has decreased by over 17,000 students. Montana elementary school enrollment has steadily declined. It took a few more years, but in 1998-99 we have been seeing the same decline in the high school population.

A few exceptions to these declining trends are the enrollment of American Indian students which has increased by 5% over the past 10 years. American Indian students now represent 11% of K-12 students, as compared to 6% of the Montana population.

It is important to note that 2% of the students in Montana are home schooled and 5% of the students attend private school – percentages that has remained stable for many years.

What happens to a school when its enrollment declines? Do fewer students mean lower costs? I taught at Bonner for 16 years prior to being elected to the State Superintendent and am familiar to what happens in a school setting. Let me give you an example using Bonner, a rural K- 8 school district with 356 students and is fairly typical of schools in Montana.

Let's see what might happen at Bonner if they had 8 fewer students. Say that 2 fewer students have enrolled in the first grade, 1 less in second grade, 1 less student for the third grade, fourth grade remains the same and the fifth grade has lost 2 students and 2 less in 6th grade

Funding from the state averages \$3,000 per student, so an 8-student reduction means a loss of \$24,000 for the school's budget. This is roughly equivalent to a teacher's beginning salary.

However, Bonner didn't lose an entire class for any grade level, nor eliminate the need for music, library and P.E. School operating costs do not drop in direct proportion to the enrollment decline. Many classroom costs are fixed and on going – the building still needs to be heated, the lights still need be turned on, and the computer systems still needs to be maintained. And, as a school librarian, I can assure you that a set of encyclopedias still costs about \$900 even if there are fewer students to use them. In summary, the declining enrollment in my "Bonner" scenario is not enough to cut a classroom, but the reduced revenue equates to the need to cut a classroom teacher. Parents become concerned when they are paying more taxes, yet experiencing larger class sizes and fewer classroom materials for their children.

I know from personal experience how hard it is to make the painful and difficult decisions on how to preserve educational programs, deliver high quality education, and recruit and retain quality teachers. Even though solutions to declining enrollment vary by school, we are all concerned with a chipping away of quality education in Montana's schools.

OPI Proposals for School Funding

While the federal and local shares of revenues have gone up over the last 20 years, the state share of revenues has gone down nine percentage points over the same period. Please refer to the Facts in Montana brochure again and the pie chart on the bottom right hand inside fold. Over the past decade, state funding increases for schools have not kept pace with inflation. State support for schools has increased by only 11% since 1995. At the same time, inflation has increased by 27%.

This session, **HB 125, K-12 Base Aid**, sponsored by the OPI and carried by Rep. Holly Raser proposes to increase the basic and per-ANB entitlements for inflation. The percentage increases will be calculated using the formula for a CPI adjustment as adopted by the 2003 Legislature in SB 424 and codified in MCA 20-9-326. In addition the per-ANB entitlement is increased by \$350 per elementary ANB and \$200 per high school ANB in FY06 and then maintained at this higher level plus inflation in FY07. HB125 attempts to move us toward an adequate level of funding but I know that we are not there yet.

Another OPI bill this session that assists to address the impact of declining enrollment is **HB 111- Per Educator Entitlement**, sponsored by Rep. Gary Branae. This request is to fund a per-educator entitlement of \$1,000 per certified FTE and other school district professionals. The per-educator entitlement would be established beginning in FY2006 and would be in addition to the basic and per-ANB entitlements that are currently part of the K-12 BASE Aid funding formula. The creation of a per-educator entitlement will help stabilize funding for schools, especially those schools that are struggling with the impacts of declining enrollment.

Perhaps the best illustration of the effects of declining enrollment on school funding is when a Legislator asked me after the 2001 Session why their local school district had less money than the school year before when he knew that the Legislature had passed a 1.88% per-pupil increase in state funding. The answer goes back to the issue of declining enrollment -- which negated the increase in funding rates for the school. The best way to really see what the school funding history really means is for you to spend some time in your local schools.

Full Time Kindergarten

The final funding issue I want to go over with you this morning is Full Time Kindergarten. This is a priority for me because it enables schools to provide an educational opportunity that we know makes a difference in a child's life.

Expanding half-day kindergarten to a full time educational program is a powerful early intervention tool that can help level the playing field for students who enter our schools already behind. As I travel the state, I have seen first-hand the difference a few extra hours in a day can make in the long-term academic success of a student.

House Bill 47, carried by Rep. Kathleen Galvin Halcro, proposes to provide full-time ANB funding for kindergarten students enrolled in a full-time public school Kindergarten program. This proposal does not require schools to offer a full-time kindergarten program, but provides full-time funding for those districts that do. Nor does it require parents to enroll their child in full-time kindergarten.

Full-time Kindergarten has been proven to be a vital step in starting children on a successful path to learning. Children who are enrolled in full-day kindergarten programs, in comparison to half-day programs, demonstrate:

- Greater progress in literacy, math and general learning skills
- Significant gains in social and emotional development
- Fewer grade retentions and special education placements
- Higher scores on achievement tests
- Reduced behavioral problems

As I mentioned to you earlier, Reading is a priority for me. We know that if a student isn't reading at grade level by the end of 3rd grade, the gap in achievement continues to increase, as does the cost to help that student catch up. An investment in Full time Kindergarten is an investment in early success rather than trying to remediate failure in the upper grades.

Our most recent survey of schools indicates that approximately 20% of elementary schools in Montana are offering full time kindergarten. In summary, full time kindergarten has been well received by parents and educators across the state.

Special Education

Given that schools are already operating on very limited budgets, I want to bring to your attention how the costs of special education have further impacted schools across Montana.

Please refer to page 8 of the **Special Education Report to 2005 Montana Legislature** handout in your packet.

Expenditures of state funds are shown in blue, federal funds in red and local funds in yellow. Approximately \$93.8 million, consisting of state, local and federal funds were spent to support special education services in fiscal year 2004. Expenditures of state funds for special education have remained essentially flat, growing from \$33.3 million in fiscal year 1990 to \$34.9 million in fiscal year 2004 (an increase of about 1.9 million). In the same timeframe, local contributions have grown from approximately \$3 million to over \$32 million (an increase of about 29 million) and expenditures of federal funds have grown from \$4.6 million to \$26.3 million (an increase of about 21.7 million).

The shortfall of state funding for special education has had a significant negative impact on educational services for *all* students. Because schools have had a shortfall in state funding for support of special education, and because schools are obligated under the Individuals with Disabilities Education Act (IDEA) to provide free, appropriate public education to eligible students with disabilities, schools have had to take more and more of their general fund monies to support special education services to meet their obligations. As a result, schools often have been forced to reduce or eliminate some general education programs or services.

Conclusion

The 13 years that Montana's children are our students will affect them the rest of their lives. Their educational experience will help to shape them into Montana citizens and productive members of our economy and society. As a state we must invest in our educational system and thus our children. I ask that you visit your school. Talk to educators, students and parents. For many, the local school is not only an institution of learning, but also the heart of our communities. As your State Superintendent I am here to answer any questions you have to help you fully understand what schools need to continue our proud Montana tradition of quality education.

On behalf of Montana's 146,519 students, I thank you for your time and efforts today.